



New Securities Law
for Investment Advisers
and Market Participants

New Securities Law 2007

Liam Mason
General Counsel



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New law in 2007

- Changes to law on
 - insider trading
 - substantial security holder disclosure
- New law on
 - market manipulation
 - disclosure by investment advisers
- Increased powers for the Commission



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Securities Legislation Bill

- Passed in October 2006
- Amends various Acts including the Securities Markets Act 1988 & the Securities Act 1978
- Abolished the Investment Advisers (Disclosure) Act 1996
- Most changes will come into force mid-2007 when regulations are settled



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Investment adviser

- Anyone who
 - in their business
 - gives recommendations, guidance or opinion
 - relating to buying or selling securities
 - to members of the public
- Exceptions – journalists, issuers, conduits
- Some products excluded – call debt securities, bank term deposits, investments other than securities



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Adviser & broker disclosure

Mandatory disclosure must be given

- before advice is given to a member of the public or investment money is received
- in a written disclosure statement
- without the client having to ask



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Adviser disclosure

Advisers must disclose

- criminal convictions
- experience & qualifications
- types of securities advised on
- nature & level of fees charged
- other interests & relationships
(includes all remuneration, soft commissions, etc)



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Disclosure statement

- The disclosure statement must be kept up-to-date
- Disclosure statement must not deceive, mislead or confuse the investor



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Advertisements

- Advertisements by advisers & brokers must comply with the new law
- “Advertisement” - any form of communication containing investment advice or promoting securities
- Includes newsletters, seminar presentations, paid advertising in any media, articles & broadcasts



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Types of advertisement

- Advice advertisements
- Product advertisements
- Broker advertisements

Advertisements must not deceive, mislead or confuse investors & must say a disclosure statement is available free of charge



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Penalties

- For misleading disclosure statements or misleading advertising – criminal penalties of up to \$300,000
- Further penalties of up to \$10,000 per day can be imposed if offending continues



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Illegal offers of securities

- Advisers & brokers must not recommend illegal offers of securities or receive investment money for illegal offers
- A breach is a criminal offence if the adviser or broker knew or ought to have known that the offer was illegal



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Enforcement

- Commission has powers to make prohibition orders, corrective orders, disclosure orders & temporary banning orders
- Courts can make orders banning people from acting as investment advisers for up to 10 years



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Penalties

For failure to comply with disclosure obligations

- fines of up to \$300,000



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Guide to the new law

- Commission is preparing a *Guide to New Securities Law*
- Available when regulations are finalised
- Law expected to come into force in mid 2007
- Visit www.newsecuritieslaw.govt.nz



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